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# APPENDIX D—MAINTENANCE OF EFFORT FOR IDEA PROGRAMS

This section summarizes the requirements for Maintenance of Effort (MOE) for IDEA Part B, how MOE is calculated using expenditure data submitted to the OPI, and how to check the school district or cooperative's expenditure reports to ensure MOE will be accurately calculated.

## WHAT IS MAINTENANCE OF EFFORT UNDER IDEA PART B?

Maintenance of effort under Part B means that an applicant for funds under Part B may not reduce the level of expenditures for support of special education below the level of expenditures for support of special education for the preceding fiscal year (34 CFR 300.231(a)). Reductions in expenditures are allowed, only if they meet the provisions of 34 CFR 300.232 and/or 34 CFR 300.233.

The U.S. Department of Education determines compliance with the maintenance of effort regulation by comparing actual expenditures one year to actual expenditures the next year. Prior to the 1997 amendments to IDEA, federal regulations required that maintenance of effort be determined by reviewing the applicant's expenditures of state and local funds for special education. IDEA states that maintenance of effort can be demonstrated by a comparison of expenditures of either state and local funds or local funds (34 CFR 300.231(1)).

## USE OF AMOUNTS

(1) IN GENERAL—Amounts provided to the applicant under IDEA shall be expended in accordance with IDEA regulations and

- (a) shall be used only to pay the excess costs of providing special education and related services to children with disabilities;
- (b) shall be used to supplement State, local, and other Federal funds and not to supplant such funds; and
- (c) shall not be used, to reduce the level of expenditures for the education of children with disabilities made by the local educational agency from local funds below the level of those expenditures for the preceding fiscal year.

**EXCEPTION.** An applicant may reduce the level of expenditures where such reduction is attributable to—

- (a) the voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel;
- (b) a decrease in the enrollment of children with disabilities;
- (c) the termination of the obligation of the agency, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the State educational agency, because the child—
  - (i) has left the jurisdiction of the agency; or
  - (ii) has reached the age at which the obligation of the agency to provide a free appropriate public education to the child has terminated; or
  - (iii) no longer needs such program of special education; or
  - (iv) the termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

For any fiscal year for which the allocation received by the applicant exceeds the amount the applicant received for the previous fiscal year, the local educational agency may reduce the level of expenditures by not more than 50 percent of the amount of such excess. If an applicant exercises the authority under this clause, the applicant shall use an amount of local funds equal to the reduction in expenditures under this clause to carry out activities authorized under the Elementary and Secondary Education Act of 1965.

### **HOW DOES THE OFFICE OF PUBLIC INSTRUCTION (OPI) DETERMINE MAINTENANCE OF EFFORT (MOE)?**

1. For each entity participating in an application, the OPI compares expenditures made for special education, using state and local funds, for the last two years, minus any approved exceptions (34 CFR 300.232) and allowable decreases (34 CFR 300.233). Expenditures are compared on a dollar for dollar basis as well as per capita, using child count figures reported for the same years. The MOE is based on the sum total of expenditures by all entities participating in the application. For purposes of the MOE calculation under IDEA Part B, state funds means state funds distributed to schools and cooperatives to support special education. State and local funds expenditures are those expenditures reported on the Trustees' Financial Summary determined as "allowable expenditures" based on revenue and expenditure codes for the purpose of MOE. Medicaid, Impact Aid, proceeds from private insurance related to Medicaid activities and federal funds are not included in the MOE calculation.
2. For each entity participating in an application, the OPI compares expenditures made for special education, using local funds, for the last two years, minus any approved exceptions (34 CFR 300.232) and allowable decreases (34 CFR 300.233). Expenditures are compared on a dollar for dollar basis as well as per capita, using child count figures reported for the same years. MOE is based on the sum total of expenditures by all entities participating in the application. Local fund expenditures are those expenditures reported on the Trustees' Financial Summary determined as "allowable expenditures" based on revenue and expenditure codes for the purpose of MOE. Medicaid, Impact Aid, proceeds from private insurance and federal funds are not included in the MOE calculation. Local funds will equal the allowable expenditures minus state funds (Instructional Block grant, Related Services Block grant, and Reimbursement for Disproportionate Costs and minus Reversion), including cooperative travel and administrative entitlements.

### **WHAT HAPPENS IF THE APPLICANT DOES NOT MAINTAIN EFFORT?**

When applications are reviewed in June, the OPI determines whether the district/cooperative applicant for Part B funds has met the maintenance of effort requirement. If it is determined that the applicant has not maintained effort, the OPI shall provide reasonable notice to the applicant of:

- a. The intent to reduce or not provide any further payment and the reason for the action; and
- b. The applicant's right to a hearing before the OPI prior to a final decision.

Data Source:	Annual Trustees' Financial Summary (TFS)
Completed by:	District Clerk, Board of Trustees, County Superintendent
Due at OPI:	2nd Monday in September, usually received with Final Budget by September 15

When received, the Trustees' Financial Summary (TFS) data is checked for accurate coding of revenues and expenditures. Once the information is considered accurate, files are used to determine final MOE.

### **HOW CAN AN APPLICANT HELP ENSURE THAT IT IS MAINTAINING EFFORT?**

It is critical that individual districts, special education cooperatives, and districts participating in special education cooperatives monitor their state and local expenditures for special education each year to ensure maintenance of effort.

Verification of MOE at the local level will help districts and cooperatives determine if corrections to data are required. The OPI guidance for checking special education expenditures reported is enclosed.

### **WHAT IS INCLUDED IN MAINTENANCE OF EFFORT CALCULATIONS FOR IDEA?**

For IDEA Part B Entitlement funds, MOE is based on total current special education expenditures in the funds listed below as reported on the annual TFS report. The MOE calculation isolates special education expenditures made from state and local revenue sources.

<b>FUND</b>	<b>COOP</b>	<b>DISTRICT</b>	<b>FUND</b>	<b>COOP</b>	<b>DISTRICT</b>
<b>01</b> General Fund		X	<b>24</b> Metal Mines Tax Reserve Fund		X
<b>10</b> Transportation Fund	X	X	<b>25</b> State Mining Impact Fund		X
<b>13</b> Tuition Fund		X			
<b>14</b> Retirement Fund	X	X	<b>82</b> Interlocal Agreement Fund	X	X
<b>15</b> Misc Programs Fund	X	X			

[SEE SCHOOL ACCOUNTING MANUAL CHART OF ACCOUNTS, PAGE 3-0200.20 FUND DEFINITIONS]

In calculating MOE, the OPI applies the following restrictions:

#### **EXPENDITURE PROGRAM 280**

Only program 280 expenditures are used to determine the state and local contributions for calculating MOE. For accurate calculation of MOE, districts/cooperatives must **CLEARLY** separate local and state grants in the Miscellaneous Programs Fund (15) from federal grants using proper revenue and expenditure program codes. Use expenditure program 280 to code special education expenditures for local, state, and direct (non-OPI) federal revenue sources. Use expenditure program code 456 for the IDEA Part B grants and 457 for IDEA Preschool grants subgranted by OPI.

#### **Expenditure Objects EXCLUDED:**

The following expenditure objects are not included in MOE even when spent for special education:

- 7XX      Equipment
- 910      Operating transfers to other funds
- 920      Resource transfers to other districts (local moneys)

930	Federal or state grant resource transfers to other districts/cooperatives
971	Residual Equity Transfers Out

#### Expenditure Functions **EXCLUDED**:

The following expenditure functions are not included in MOE even when spent for special education:

4XXX	Facilities Acquisition
5XXX	Debt Service

#### Expenditures **INCLUDED** in Fund 15:

All expenditures reported in Fund 15 will be **EXCLUDED** except for the expenditures of the following revenues if spent for special education (program 280):

Revenue Source:	3450—Accelerated Local Government Severance Tax (if deposited in Fund 15)
Revenue Source:	5710—Special Education Resource Transfers

[SEE SCHOOL ACCOUNTING MANUAL CHART OF ACCOUNTS, SECTION 3-0600.20 OPERATING STATEMENT ACCOUNTS AND 3-0600.40 EXPENDITURE OBJECT CODE DEFINITIONS]

#### **EXAMPLES:**

1. District A reports the following expenditures in special education:

01-280-1XXX-1XX      14-280-1XXX-2XX      01-280-1XXX-2XX      01-280-6200-920

All line items would be considered for Maintenance of Effort, except 01-280-6200-920. It is a special education resource transfer as recorded by the sending district.

2. District B reports the following expenditures in special education:

01-280-1XXX-1XX      14-280-6200-920      10-280-26XX-4XX  
15-456-1XXX-1XX-001 (Revenue Source 5700-001)

The two line items above that would not be considered in the calculation of Maintenance of Effort would be 14-280-6200-920, because it is a resource transfer to a cooperative, and 15-456-1XXX-1XX-001, because it is an expenditure of revenue source 5700 federal IDEA Part B funds.

## **GUIDELINES FOR REVIEWING REVENUE AND EXPENDITURES ON TRUSTEES' FINANCIAL SUMMARY**

This list is provided to districts and cooperatives to assist them in reviewing special education expenditures reported on the Trustees' Financial Summary (TFS) for accuracy. Accurate coding is extremely important. A district or cooperative must be able to demonstrate maintenance of effort (MOE) to remain eligible for federal IDEA funding. The MOE is calculated using the districts' and cooperatives' TFS reports.

## **WORKERS' COMPENSATION/PAYROLL TAX AND RETIREMENT BENEFITS**

A district or cooperative may report Workers' Compensation/Payroll Tax Benefits or Retirement Benefits with one of two options, undistributed or distributed. (Please refer to the School Accounting Manual, Pages 4-0400-12 and 4-0400-13.)

**Workers' Comp/Payroll Tax Benefits reported as "undistributed:"** (i.e., combined total of Workers' Comp expenditures for all functions reported as 01-999-9999-2XX)

- OPI will "distribute" this amount across programs and functions according to the proportion of salaries reported in the fund. Workers' comp for salaries reported in Fund 15, Program 280, will be included in MOE.

**Workers' Comp/Payroll Tax Benefits reported as "distributed:"** (i.e., reported under each program and function like the related salaries)

- OPI will use expenditures as reported in calculating MOE.

**Fund 14 Retirement Benefits reported as "undistributed:"** (i.e., combined total of retirement benefit expenditures for all functions (except resource transfers) was reported as 14-999-9999-2XX)

- OPI will "distribute" this amount across programs and functions based on the proportion of salaries reported in all funds. Retirement costs related to salaries reported in any fund using program code 280 will be included in MOE.

**Fund 14 Retirement Benefits reported as "distributed":** (i.e., reported under each program and function like the related salaries)

- The OPI will use expenditures as reported in calculating MOE.

**Fund 14 Retirement funds transferred from a district to a cooperative for special education employees:**

- The district should record the expenditure as a resource transfer (X14-280-6200-920). The cooperative should record the receipt as a resource transfer (314-5710). This amount will **not** be included in the OPI "distributions" discussed above.

## **RESOURCE TRANSFERS BETWEEN DISTRICTS AND COOPERATIVES**

Resource transfers from district to district, district to cooperative, or cooperative to district are NOT COUNTED FOR MOE. If counted at the point of the transfer and again when spent by the receiving agency, the money would be double-counted. The following examples show how a district or cooperative should report transfers.

**NOTE:** When a cooperative sends money to a member district, it **MUST BE EITHER:**

1. A refund of the related services block grant match, with the cooperative's written approval for

the district to spend the match on other special ed related services using its general fund in lieu of providing the match; OR

2. A payment for contracted services to be provided by the district on behalf of the cooperative. Based on a written contract, the money must be deposited into the district's Miscellaneous Programs Fund (15) and be spent for that purpose or returned to the cooperative by June 30; OR
3. A sub-grant of a federal or state grant award obtained by the cooperative on the members' behalf. Examples would be the IDEA Part B or Preschool entitlement funds.

No other payments from cooperatives to districts should be made.

**District, as a participating member of a special education cooperative, transfers funds to the cooperative for: 1) the district's related services block grant match (RSBG), 2) the district's share of the cooperative budget, or 3) additional contribution to the cooperative:**

- District must use X01-280-6200-920 to identify this type of transfer.
- Cooperative uses 382-5710 to code receipt of the payment.

**District, as a participating member of a special education cooperative, signs a written agreement with the cooperative saying the district will spend its own related services money in lieu of match: (i.e., district keeps and spends its related services block grant (RSBG) match, rather than sending it to the cooperative)**

- District must record its local expenditures in lieu of match as special education expenditures in the normal manner using the general fund (e.g., X01-280-XXXX-XXX). The expenditures will be included in MOE. They also are included in the special ed spending to avoid reversion. The district would not transfer the match to the cooperative, so the TFS would not indicate a transfer. (NOTE: If not spent by the district after entering such an agreement, MOE and special ed reversion may be affected.)

**The cooperative then returns money under a contract to be spent by the district locally for SPECIFIC SPECIAL ED SERVICES:**

- Cooperative must report the transfer using 382-280-6200-920.
- District must deposit the money to Fund 15 using X15-5710 and assign a project reporter number. The district must report expenditures of the money using the same project reporter number assigned to the revenue source.
- Any funds remaining unspent at June 30th must be returned to the cooperative. The district must report the amount returned as a revenue abatement (i.e., negative revenue) under X15-5710. The cooperative must receive the refund as an expenditure abatement (i.e., negative expenditure) under 382-280-6200-920.



**District made a resource transfer to the cooperative to pay the RSBG match. The cooperative then returns money to the district, directing the district to spend it locally for NON-SPECIFIC SPECIAL ED SERVICES in lieu of providing the required RSBG match:**

- District transfers its match to the cooperative using X01-280-6200-920. The cooperative records the revenue using 382-5710.
- The cooperative reports the payment back to the district by abating (decreasing) revenue source 382-5710 while the district abates (decreases) expenditure X01-280-6200-920. Thus the records show the match transfer from district to cooperative was never made in the first place.

**NOTE:** Money returned to a member district without a contract for providing specific services is considered first to reimburse the district's match paid from the general fund; any payment in excess of the amount of required match must be deposited to the district's Miscellaneous Programs Fund (15) and used or returned by June 30 as discussed in the previous example.

**District pays for contracted special education services received from another district or cooperative, and the services are not covered under the cooperative agreement or as a participating member of a consolidated IDEA Part B application (e.g., contracted services):**

- Paying district uses X01-280-21XX-354 to code a one time payment for additional services. The cooperative codes the receipt using 382-1950.
- A district who provides a service to another district uses X15-1950 or X82-1950 to code a one-time receipt for additional special education services.

**District, as a member of a special education cooperative or member of a consolidated application with another district, receives its federal IDEA special education grant from the cooperative or host district:**

- Cooperative records the transfer of federal IDEA grant money using 315-XXX-6200-930-###, where ### is a project reporter number assigned to the grant. A district who is a grant host and transfers the grant to another district must use X15-XXX-6200-930-###. Use expenditure program code 456 for the IDEA Part B grant and 457 for IDEA Pre-school.
- District must deposit Federal IDEA special education grants "passed through" from another district or cooperative in the Miscellaneous Programs Fund (15), using revenue code X15-5700-###, where ### is a project reporter code. Transfers and subsequent expenditures of the grant money must be identified with same project reporter number. Expenditures must be coded using the expenditure program number, such as X15-277-1XXX-XXX-### for IDEA Part B.

For further information regarding resource transfers, please refer to the School Accounting Manual, pages 3-0500, 4-0400-10 and 4-0400-11.

## **MISCELLANEOUS PROGRAMS FUND (15), PROGRAM 280 EXPENDITURES:**

Fund 15 is a Miscellaneous Programs Fund with a variety of revenue sources. Incorrectly using 280 for federal grant expenditures could significantly impact your MOE. Use program 280 for state and local special education expenditures, program 456 for federal IDEA grant expenditures, program 457 for federal IDEA Preschool grant expenditures. Refer to the School Accounting Manual Section 3-0600 for further information.

## **INDIVIDUALS WITH DISABILITIES EDUCATION ACT (Part B) CALCULATION OF MAINTENANCE OF EFFORT QUESTIONS AND ANSWERS**

- 1. If I amend my Trustees' Financial Summary, will it affect the amount of state special education funds the district will receive?**

Response: It may, if the amendment is to correct an expenditure reported as a special education allowable cost. Any change to a special education allowable cost expenditure will affect a district's minimum amount to avoid reversion in the current year, as well as reimbursement for disproportionate costs in the ensuing fiscal year.

Please refer to the district's special education reversion worksheet submitted with the trustees' financial summary to determine if the amendment will affect the district's minimum amount to avoid reversion.

Special education allowable costs are defined in 20-7-431, MCA and 10.16.2206, ARM.

- 2. After December 20, how will an applicant correct an error in the Trustees' Financial Summary in order to demonstrate Maintenance of Effort?**

Response: The applicant should submit a written request to the Division of Special Education for a hearing. If, as a result of the hearing, it is determined that errors were made in the Trustees' Financial Summary and corrections would result in the district demonstrating fiscal effort for Part B, an amended Trustees' report would be allowed.

- 3. How will an applicant know if it has maintained effort and if not, what action the Office of Public Instruction will take regarding its application for funds?**

Response: Applicants for Part B funds should carefully review the preliminary maintenance of effort report sent to them in December by the OPI. The report will indicate whether the applicant has maintained effort through a review of the total expenditures and on a per capita basis. If a "yes" appears on either the state or state and local expenditures report, the applicant has maintained effort. If an applicant has not maintained effort and it may have allowable exceptions, it should submit the documentation in accord with OPI procedures.

Prior to reducing or withholding any payments to the applicant, the OPI sends the applicant notice of its intent to reduce or withhold payments, identifies the reason for its intended action and the applicant's right to request a hearing.



**4. Is there any allowance allowed for decrease in maintenance of effort?**

Response: Yes, reauthorization of IDEA provides for a reduction in the level of expenditures attributable to the following:

- a. The voluntary departure, by retirement or otherwise, or departure for just cause, of special education personnel;
- b. A decrease in the enrollment of children with disabilities;
- c. The termination of the obligation of an LEA, consistent with this part, to provide a program of special education to a particular child with a disability that is an exceptionally costly program, as determined by the state education agency, because the child -
  - i. has left the jurisdiction of the LEA ;
  - ii. has reached the age at which the obligation of the LEA to provide a free appropriate public education to the child has terminated;
  - iii. no longer needs such program of special education; or
- d. the termination of costly expenditures for long-term purchases, such as the acquisition of equipment or the construction of school facilities.

**5. Isn't the maintenance of effort requirement for Part B the same as for Title I?**

Response: No.

**6. Does a membership change in a cooperative affect maintenance of effort?**

Response: It may. If a membership change will occur in a cooperative, we encourage you to call the OPI to determine what affect that may have on maintenance of effort. Circumstances vary, and we will try to address the situation when it happens.

**7. Are expenditures of proceeds from private insurance, impact aid or Medicaid funds included in maintenance of effort calculations?**

Response: No

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